

Your Employee Handbook window will reappear when you close this window.

MANAGING PERFORMANCE THROUGH CORRECTIVE ACTION

Purpose

The Corrective Action process is designed to help a manager and employee address and remedy most unsatisfactory work-related or behavioral issues.

Employment At Will

This corrective action policy is not an expressed or implied employment contract and does not create any contractual rights or promises concerning your employment. Supervisors or managers do not have the authority to contractually bind Mellon with respect to any employment or benefit matter.

Employment at Mellon is at will. Employees have the right to leave Mellon's employment at any time for any reason; similarly, Mellon does not guarantee the continued employment of any employee. Therefore, employment with Mellon is for an indefinite period of time, and Mellon or its employees may terminate the employment relationship at any time and for any lawful reason.

Employee's Work Responsibilities

All Mellon employees carry a responsibility to adhere to Mellon's policies and work rules. The guidelines that follow are necessary to ensure an efficient, safe business operation and to protect the well-being of all employees. All employees are expected to meet certain work requirements such as the following, without explicitly being instructed to do so. Employees are expected to:

- accurately complete their employment applications,
- satisfy individual job accountabilities and comply with policies and procedures relevant to their jobs,
- work collaboratively and respectfully with other employees, managers and supervisors,
- demonstrate due regard for safety and welfare,
- work as scheduled, and
- follow common sense notions of proper conduct while in the workplace and on Mellon business.

Failure to meet these requirements can lead to Corrective Action, up to and including termination.

Responsibility

Managers will explain individual job responsibilities and performance standards, as well as any work-related policies and procedures that employees are expected to follow. This can take place in group meetings or individually.

Employees should ask questions or seek clarification from their manager or HR Business Partner, as appropriate.

General Work Problems

General Work Problems include, but are not limited to:

- quantity and/or quality of work that is unacceptable relative to expected standards,
- failure to accomplish work objectives,
- non-productive work habits,
- performing non-job related activities during working time without prior approval by management,
- use of Corporate property for non-job related activities without the prior approval of management,
- interfering with the efficiency of operating processes by distracting or disturbing other employees working in the area,
- poor judgment and/or discretion,
- excessive absenteeism, tardiness, or early quitting,
- obvious carelessness and/or disregard for accuracy or safety,
- failure to meet expected standards of courtesy, hygiene or appropriate dress in the workplace,
- failure to comply with the policy prohibiting solicitations and distributions,
- smoking in non-smoking areas, and
- failure to take necessary safety precautions or failure to wear prescribed safety equipment.

Intolerable Offenses

The following offenses provide examples of incidents, which may result in serious disciplinary action, including termination, without regard for progressive corrective action steps. They include, but are not limited to:

- discrimination or harassment based on race, color, religion, sex, age, national origin, familial or marital status, ancestry, citizenship, sexual orientation, being a qualified individual with a disability, veteran or military status or any other factor protected by law,
- misconduct, on or off duty, on or off Mellon premises, which, in the judgment of management, does or could adversely affect Mellon or renders continued employment not in the best interest of Mellon,
- failure or refusal to cooperate in Mellon investigations,

- Code of Conduct violations,
- falsification of records or misrepresentation of facts relevant to Mellon business or employment, (e.g. forced balancing, time cards, employment application/resume, worker's compensation claims, expense reimbursements, etc.),
- intentional failure to report information that might adversely affect Mellon,
- unlawful use or abuse, possession or manufacture of illegal drugs or other controlled substances on Mellon premises or while on Mellon business,
- unlawful use or abuse of alcohol on Mellon premises or while conducting Mellon business,
- failure or refusal to submit to a drug/alcohol test or searches for drugs or alcohol,
- receiving a positive drug/alcohol test result,
- failure to work free from the effects of alcohol or illegal drugs,
- possession or use of weapons on Mellon premises or on Mellon business,
- fighting or assault while on Mellon premises or Mellon business,
- abusive, offensive, obscene, threatening or inappropriate language or behavior towards employees, customers or suppliers,
- insubordination and/or refusal to follow instructions,
- wrongful taking, misappropriation, conversion or negligent damage to Mellon property or the property of co-workers, customers or suppliers,
- dangerous horseplay,
- sleeping on the job,
- personal use of Corporate issued business convenience cards, (e.g., Business Credit Cards, Telephone Calling Cards),
- failure to pay business credit cards in full when due,
- any unauthorized work while on leave of absence,
- failure to return from an approved leave of absence without an approved extension,
- job abandonment - missing work without notifying management,

- embezzling, stealing, or unlawfully and willingly misapplying any money, funds, assets or securities entrusted to the custody or care of Mellon, and
- use of the Internet, Mellon's Intranet, Mellon's e-mail network, and/or mail system for purposes that violate corporate policies.

In situations involving intolerable offenses, a supervisor may direct the employee involved to leave the premises immediately, pending an investigation and a decision regarding corrective action or immediate termination.

Disciplinary Procedure

Mellon expects high standards of behavior and performance from all employees in order to promote fairness in its treatment of individuals and to operate effectively as a business.

The objective of the disciplinary procedure is to assist the Company in maintaining these standards by encouraging improvement in conduct, job performance, attendance, or any other aspect of behavior in which an employee falls below the required standard. To maintain an appropriate level of flexibility, this policy should be regarded as a guideline only, and not as an express or implied contract.

In most cases, counseling by the immediate supervisor or Line Manager is usually sufficient but if that proves to be ineffective, disciplinary action may be taken in accordance with this procedure. Generally, disciplinary action will be taken against an employee after an investigation of the situation has taken place.

It is the practice of Mellon that where disciplinary action is necessary, the procedure is conducted in a fair, equitable and timely manner.

Steps in Corrective Action Process

The steps in the Corrective Action process are detailed below. Step-by-step Corrective Action is usually applied when an employee is exhibiting general work problems.

- **First Occurrence (Initial Written Warning)** - The manager will conduct a documented performance or behavior discussion with the employee. The employee will be reminded of the required job performance standards and the required changes in behavior or performance that are necessary. Generally, immediate and sustained improvement must occur unless a time period is otherwise designated by the manager.
- **Second Occurrence (Final Written Warning)** - If the situation fails to improve, or if other problems develop, the manager will communicate, in writing, the seriousness of the problem, the required action to be taken to correct the problem, a designated period of time to correct the problem (if applicable) and the consequences of failure.

to improve. Employment termination may occur if required improvement is not accomplished.

- Termination - If the employee fails to improve as required after the previous warnings, or if other problems develop, termination of employment may occur.

Accelerated Corrective Action

Not all situations require that the manager follow a step-by-step Corrective Action process. Circumstances may justify accelerated action up to and including termination. Such justification is within Mellon's sole discretion. Examples of items, which would result in accelerated corrective action, are stated in Intolerable Offenses.

Job Performance Problems

Mellon's Performance Management process is designed to help you and your manager improve your individual job performance. (See the Performance Management section of his handbook.)

Appeal Process

If you disagree with the corrective action your manager has taken, you may appeal through the Complaint/Appeal process explained in this handbook.

For U.S. Discussion on Deduct Policy see Deduct Policy.

For U.S. Discussion on Early Performance Alert see Early Performance Alert.

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COMPLAINT/APPEAL PROCESS

Mellon's business success relies upon keeping working relationships strong by addressing employee issues, concerns, complaints, or appeals that may develop. Therefore, it is the policy of the Corporation to provide a complaint and appeals process for an individual employee to raise issues, concerns, or complaints in a straightforward simple course of action. This process also offers employees the freedom to bring any complaint to any level of management or Human Resources they believe is best able to fairly address the issue.

When an issue or concern occurs or the employee wants to raise a complaint, the first step is a discussion between the employee and their supervisor (if appropriate) to assure that he or she has an opportunity to resolve or explain the situation. The employee should describe the issue in their own words, state the action they believe would resolve the concern, and provide an explanation of why the action is appropriate. If this does not resolve the concern, the employee is encouraged to proceed with the complaint process; a process designed to get answers and assure that an employee's case is heard. Here's the outline of the complaint process:

- Step 1: Talk with the immediate supervisor/manager to clarify the situation and possibly resolve the concern.
- Step 2: If the concern is not resolved in the first step, the employee should discuss the issue with their supervisor's manager or Corporate Employee Relations.
- Step 3 (Final): If the result of the second step is unsatisfactory, the employee may ask for the complaint to be addressed by the senior manager of the organization unit or the Manager of Employee Relations. The decision at this point will be considered final and the appeal process will be concluded.

Mellon employees may choose at anytime prior the final step of the appeal process to address their concerns to the CEO of Mellon Financial Corporation. The CEO may delegate review to a designee of the CEO's choice. The decision of the CEO, or a designee of the CEO's choice, will be final.

At any step in the process, employees are encouraged to speak with their HR Business Partner for guidance and an opportunity to gain a broader perspective on the issue. When an appeal review is taken to the third and final step, the HR Business Partner will be involved to assure that the process has worked as prescribed.

Alternate Course of Action

There may be instances, because of the type of problem or the nature of the relationship between the employee and the supervisor or manager, when bringing the problem to an immediate supervisor or manager may be difficult. Examples of problems of this type include alleged sexual or other discriminatory harassment or suspicion of illegal activity. An alternative course of action is available. Employees are welcome to bring any complaint to any level of management or Human Resources or the Manager of Corporate Employee Relations. You may contact the Employee Relations group by calling 1-888-477-8347.

When using this alternate course of action, the manager or the Corporate Employee Relations Manager will review the issue thoroughly and determine the action required. The outcome and decisions resulting from this review will be final and will conclude the appeal process.

All issues, concerns or complaints should be addressed in a timely manner to avoid loss of details or factual information, and to assure that responses are made as accurately as possible. Mellon's goal is to work with employees and their managers to resolve concerns in a timely manner. However, some situations may require a greater investigation. In some cases, employees may not agree with the decision that is made regarding their complaint. All complaints will be taken seriously and addressed professionally and with integrity.

Protection for Employee

Retaliation by any supervisor or manager because the employee has brought forward a problem or complaint will not be tolerated and is grounds for corrective action up to and including termination. The area's HR Business Partner and/or the Corporate Employee Relations Manager will investigate claims of retaliation.

Any documentation of an employee complaint will be kept separate from the employee's personnel file and, the HR Business Partner or Corporate Employee Relations will retain this information in a confidential file. However, certain resolutions of the issue, concern or complaint may require documentation in an employee's personnel file.

Important Note

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Appeal Process

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For U.S. Discussion on Deduct Policy see Deduct Policy.

For U.S. Discussion on Early Performance Alert see Early Performance Alert.

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EARLY PERFORMANCE ALERT

Description

The Early Performance Alert Policy (EPA) is used to correct serious performance deficiencies or violations in work or behavioral standards or requirements exhibited ***within the first six months*** of active employment and applies to exempt and non-exempt employees.

If an employee commits an intolerable offense within the first six months, immediate termination may result.

Procedure

If a manager identifies a serious work deficiency or violation of a work or behavioral standard or requirement within the first six months of active employment, he or she will complete an Early Performance Alert form and discuss the performance or behavioral deficiency with the employee. If management determines that performance improvement is insufficient, termination may occur.

Documentation

A signed copy of the Early Performance Alert form is given to the employee and the original is retained by the manager.

Appeal Process

Employees who are dissatisfied with an Early Performance Alert, may at any time appeal through the Complaint Process.

For More Information

Questions on Early Performance Alert should be directed to their manager or HR Business Partner.

See also Corporate Policy Early Performance Alert.

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Alternate Course of Action

There may be instances, because of the type of problem or the nature of the relationship between the employee and the supervisor or manager, when bringing the problem to an immediate supervisor or manager may be difficult. Examples of problems of this type include alleged sexual or other discriminatory harassment or suspicion of illegal activity. An alternative course of action is available. Employees are welcome to bring any complaint to any level of management or Human Resources or the Manager of Corporate Employee Relations. You may contact the Employee Relations group by calling 1-888-477-8347.

When using this alternate course of action, the manager or the Corporate Employee Relations Manager will review the issue thoroughly and determine the action required. The outcome and decisions resulting from this review will be final and will conclude the appeal process.

All issues, concerns or complaints should be addressed in a timely manner to avoid loss of details or factual information, and to assure that responses are made as accurately as possible. Mellon's goal is to work with employees and their managers to resolve concerns in a timely manner. However, some situations may require a greater investigation. In some cases, employees may not agree with the decision that is made regarding their complaint. All complaints will be taken seriously and addressed professionally and with integrity.

Protection for Employee

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Important Note

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See also Corporate Policy Complaint/Appeal Process

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PERFORMANCE MANAGEMENT PROCESS

Policy

It is the policy of the corporation, through its Performance Management Process, to review all employees' performance and effectiveness on an ongoing basis.

Purpose

The Performance Management Process is designed to assist managers in executing their people management functions. It includes:

- performance planning for employees, including:
- linking individual goals with overall business success by developing results-based goals (optional for non-exempt) for the upcoming performance period
- performance agreement between employee and manager regarding Shared Values behaviors
- agreement between employee and manager regarding behavior relative to core and job specific competencies
- development planning for employees, which involves discussion around an employee's career development at Mellon
- on-going performance feedback and coaching on skills and abilities
- formal assessment of employees' performance relative to expectations, standards and measures for results-based goals, Shared Values and competencies
- identification of performance based development needs; performance shortfalls must be addressed by a time-bound, measurable plan to ensure that performance reaches acceptable levels

Performance Planning

Exempt Employees-

Performance planning for an exempt employee establishes job related goals with specific and measurable standards of performance for a job based on business unit and company objectives. At the beginning of the performance period, the manager and employee should jointly develop at least one results-based goal in each of the following categories.

- Business and operating contributions
- Customer-related contributions
- Employee-related contributions
- Job specific contributions

An exempt employee also needs to effectively demonstrate Shared Values behaviors. These behaviors are detailed on the performance plan.

In the final section of the planning process, an exempt employee and manager review the competencies that will be utilized for the assessment.

Some business units may have additional or different assessment objectives for use relative to Mellon's Compensation Program.

Non-Exempt

Performance planning for a non-exempt employee is the formal communication of Shared Values, job factors, and core competencies. Goal setting is optional. When an employee begins to work in the position, and on a regular and as needed basis thereafter, the manager should focus on the employee's duties and responsibilities of the position and consider appropriate performance standards and/or key requirements for the employee's position.

Mid-Year Review

The Mid-Year Progress Review is an optional (although strongly encouraged) activity in the performance management process the purpose of which is to:

- Create a formal opportunity for managers to provide honest feedback and to have a developmental discussion without the need to link ratings to pay
- Ensure that employees receive formal feedback at least once prior to the year-end performance assessment.
- Provide managers and employees an opportunity to determine whether the goals established during the performance planning process remain appropriate and, if not, to update these goals

Performance Assessment

Performance Assessment is the formal evaluation and documentation of the employee's actual results and overall performance. The Performance Assessments are based on goals, demonstration of Shared Values behaviors, and competencies that have been previously documented and agreed to by the employee in exempt employee performance plans. Non-exempt employees are evaluated on goals (optional), Shared Values behaviors, core competencies, and job factors.

Development Planning

Development Planning involves a formal discussion between the manager and the employee regarding the employee's career development at Mellon. It helps the employee to identify the tools needed to achieve personal and professional outcomes.

For additional information please see Corporate Policy Performance Management Process

EXHIBIT 2

To

EXHIBIT C

JUN 23 '05 12:31 FR MELLON BNK LEGAL DEPT215 553 3415 TO 14122366054 P.02/08

4/30/03

Mar 31/03

~~Apr 13~~

Apr 24

} Instruction to L. Blozis
Catered Duff only this ^{of} ^{cap 4 do food} Final Written Warning
Nty left wk May 12/03

Don't have a card
Underline Insubordinate